

S. 1527
Substantive Changes

Early retirement features for special classes (law enforcement officers, firefighters, and air traffic controllers), similar to those in current law, have been added to the bill.

Employees will have an option to select from two retirement plan options, as detailed below. Survivor and disability benefits have been improved for both plans.

Plan A and Plan B

- o Improved survivor benefits for preretirement death
 - Eligible after 18 months of service (instead of five years).
 - Benefit payable immediately (instead of date eligible to retire).
 - No reductions for early retirement or election of a survivor annuity.
 - Survivor benefits are 50% of accrued annuity with no reductions or, if greater, minimum benefit equal to that provided for 10 years of service.
- o Improved survivor benefit for postretirement death
 - Reduction of 10% to pay for election (instead of 12%).
 - Benefit is 50% of annuity prior to reduction for election of a survivor annuity.
- o Improved disability benefit
 - Net benefit after initial offset for Social Security is increased based on the COLA formula of the plan without further regard to the offset.
- o Improved FEGLI for employees who elect coverage
 - Benefit equal to two times pay for all workers.
 - At death of worker, survivor may elect regular payments for two years or a lump sum benefit.

Plan A only

- o Accrual rate: 0.9, first 15 years, 1.1 thereafter
- o COLA changed from CPI-2 at all ages to: no COLA prior to age 62, CPI-2 from 62 through 66, and full CPI at age 67 and over.

Plan B only

- o Accrual rate: 0.9, first 10 years, 1.1 thereafter
- o Thrift match changed from 50% of pay up to 6 percent (\$3) to: \$1 for \$1 to 1% + \$.50 to 3% + \$.25 to 6% (\$2.75).
- o COLA changed from CPI-2 at all ages to: CPI-2 to 62 and full CPI at age 62 and over.
- o Level employee contribution of 7 percent of pay minus the retirement portion of the Social Security tax, instead of a flat 1.3 percent.

S. 1527
Technical Changes

The bill has been retitled as the "Federal Retirement Reform Act of 1985"

Subchapter I - Definitions

Definition of "employee" clarified with regard to status of Members, noncareer SES, and political appointees on the rolls as of December 31, 1983 and subject to both Social Security and Civil Service Retirement.

Firefighter and law enforcement officer definitions amended to include employees who move to administrative or managerial jobs after 10 years in the occupation.

Definition of "normal cost" is modified to state that it will be used to value the cost of the System for all purposes.

Service definition amended to treat leave without pay the same as in current law.

Subchapter II - Basic plan

Wording added to preclude recipients of workers' compensation benefits from receiving a concurrent retirement benefit under this plan. They can, however, receive money from the Thrift Fund.

Requirement for mandatory retirement of special classes restored to parallel current law.

Annuity supplement for the special classes will start at retirement (rather than age 55).

Normal cost charged to an agency will exclude the amount computed for military service. An agency which disagrees with the cost may ask for a review by the Board of Actuaries.

The DoD budget, rather than the DoD Military Retirement Fund, will be assessed for the normal cost relating to creditable military service of plan participants.

Employees who elect option B will be allowed to receive a refund of their contributions, plus interest, when they separate without forfeiting entitlement to a retirement benefit from the basic plan.

Subchapter III - Thrift plan

The participant must elect Plan A or Plan B before contributions can be made to the Thrift Savings Fund.

The Thrift Savings Fund loan program established by the Board will be subject to the same conditions prescribed in ERISA.

A "catch up" feature allowing carryover of unused contributions in any year, up to a maximum of 5%, has been added.

Tax treatment language has been clarified to insure equal treatment of federal and private employees under possible modifications to tax laws.

Disability benefits recipients may elect to withdraw their thrift account balance within one year of the disability determination.

The annuity option for a former employee who did not vest in the basic plan has been deleted (withdrawals and rollovers are still permitted).

Description of the balance in the Thrift Savings Fund has been clarified by adding payouts to the list.

The Common Stock Index Investment Fund description has been broadened to recognize stocks sold over-the-counter and to permit sampling in the establishment of an index.

The description of the Treasury special issues used in the Government Securities Fund has been modified to make it similar to the description used for special issues of the Civil Service Retirement and Disability Fund.

Subchapter IV - Survivor benefits

The right of an individual with an insurable interest has been clarified to show that he or she has the same payment options as a surviving spouse for money payable from the thrift fund.

Wording on effective dates for benefit termination has been clarified.

The opportunity to elect a survivor annuity for a former spouse or a current spouse based on death or remarriage of an earlier designee has been clarified.

Subchapter V - Disability benefits

A provision to adjust benefits for recipients whose conditions of entitlement change (i.e., from occupationally disabled to totally disabled or vice versa) has been added.

The section on administrative provisions has been modified to clarify OPM's role in connection with the party or parties administering the LTD benefit. Clarifications on the management of the disability fund have also been made.

Subchapter VI - General and administrative provisions

The general authority for OPM to contract for performance of administrative services has been deleted.

Reemployed annuitants who work on a part-time basis are allowed to elect to have their annuity continue and to receive the pay for the position, not to exceed the annual pay a full time employee in the position would receive.

A new section has been added to require OPM to provide participants with information sufficient to understand the rights, benefits, and options available under the plan.

Subchapter VII - Transition provisions

A requirement has been added that employees under CSRS who join the new plan must complete 5 years under it before they are exempt from the windfall benefits and public pension offset provisions of Social Security.

Individuals with service credit under CSRS who are covered by this plan may have the service under CSRS credited in determining how the accrual rate formula of Plan A and Plan B applies to them.

Subchapter VIII - Civil Service Thrift Investment Management System

Regulatory responsibility has been shifted from the Board to the Executive Director.

The Board members are no longer listed as fiduciaries but are required to discharge their responsibilities solely in the interest of participants and beneficiaries.

As part of the requirement of the Board to remove the Executive Director, the Comptroller General must investigate and recommend action.

A new section has been added creating an Employee Advisory Committee. Participants in the Thrift Savings Fund will elect 5 members for two year terms to advise the Board and Executive Director on investment policies and exclusions from the Index Fund and to exercise shareholder rights with respect to the Index Fund.

The fiduciary responsibility section has been modified to incorporate more specifically the provisions applicable to private plan fiduciaries under ERISA and to clarify the restrictions on self-dealing.

Department of Labor is authorized to prescribe regulations for administering the fiduciary standards applicable to the Thrift Investment Management System and to determine class exemptions from such standards.

Department of Labor is required to establish a system, in consultation with GAO, for the conduct of a compliance audit regarding overall management of the Thrift Savings Fund.

New sections have been added on bonding and insurance.

Title III - Miscellaneous and Conforming Amendments

The section which provides free life insurance to plan participants has been deleted.

A section permitting access to wage records of disability benefits recipients has been added.

Title IV - Authorization and Effective Dates

A section authorizing a \$1 million appropriation for OPM to carry out the plan's information program has been added.